

February 27, 2002

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Dr. Mr. Hobbs:

Chancellor Jane Nichols gave me a copy of a letter from you inviting submissions for consideration by the Tax Task Force. The Nevada Faculty Alliance would like to submit the following information to you for consideration. Also, if possible, we would be prepared to make a presentation to the task force, or participate in a presentation by UCCSN officials.

The Nevada Faculty Alliance is a state-wide faculty organization with active chapters on all campuses. We have been involved in UCCSN affairs for decades, representing faculty interests and seeking to improve higher education in Nevada. I enclose some back issues of our state-wide newspaper, The Alliance, which you may have seen. It will inform you of the range of our concerns. Note that the last two issues have included several stories about the appointment and functioning of the task force which you head.

Approximately 20% of the State General Fund goes to higher education, which means that its needs are a major responsibility for the state of Nevada if Nevada citizens are to have the kinds of educational opportunities they need and deserve. Obviously, since the bulk of funding for most UCCSN institutions comes from the State of Nevada, the NFA is vitally interested in budgetary matters and in the state's revenue situation.

In order to help make the case for revenue needs for higher education in Nevada, the NFA has had an official lobbyist at all legislative sessions starting in 1985, and our representative has testified a number of times on such issues as revenue needs. We have also held regular meetings with Nevada governors for close to two decades where we have discussed these matters with Governors Bryan, Miller, and Guinn, as well as with their budget staff people over this time period.

In 1999, Governor Guinn appointed our NFA lobbyist, Jim Richardson, to a position on the twelve person interim study committee that was to review the formulas used in distributing funding to UCCSN institutions. You will recall that considerable concern had been raised by some UCCSN institutions about the formulas then in use, claiming that they were not being fair to faster growing institutions. This concern led to the establishment of an interim committee to review and to make recommendations in this most important area of state government.

The interim committee included three regents, three members of the Senate appointed by the Majority Leader, who also chaired the Task Force, three members of the Assembly appointed by the Speaker, who also served on the committee, as well as three appointments by Governor Guinn, who named the heads of the UNR and UNLV foundations, as well as Richardson, who represented NFA members around the state. The Governor also appointed three nonvoting members, President's Joe Crowley, Richard Moore, and Carol Harter, to this committee.

Implementing the results of this major study of higher education funding should be a very high priority of all political leaders in Nevada. However, as will be discussed below, this cannot be done properly without changes in the state's revenue picture.

We agree with most observers that there is a serious structural deficit that promises to grow to very large proportions if not dealt with soon. We hope and assume that the task force can address this problem before it worsens, which would be to the detriment of all Nevada citizens who depend on UCCSN for needed educational opportunities. The number of Nevadans seeking higher education is increasing rapidly, given the state's population growth as well as the new Millennium Scholarship program implemented by the

Legislature in 1999 at the behest of Governor Guinn. This enrollment increase adds to the size of any potential deficit, of course.

As the task force attempts to ascertain the size of this structural deficit, a number of issues should be factored into this assessment. These include the following:

1. The new formulas that were to more fairly distribute funding were not funded in the last session at a level that will sustain the growth being experienced in UCCSN, which is one of the fastest growing systems of higher education in the country. Initial recommendations in the Executive Budget were to fund the new formulas at a level of about 85% of funding called for under the formulas. This recommendation had been accepted by the legislative money committees. However, after the revenue shortfall was established, close to half the shortfall came from the UCCSN budgets, dropping the formula support level to close to 81%, a cut that cost UCCSN institutions over \$40 million dollars.

Four of our institutions ended up in a situation that would, under the 81% level of funding, actually result in their getting less money this biennium than they had the past biennium, and this at a time when nearly all institutions were growing in student enrollment. This shortfall was addressed in the short term by the legislature allocating additional funding from the estate tax fund to "hold harmless" the four institutions (UNLV, TMCC, WNCC, CCSN) that were slated to receive less funding this biennium than last.

A total of nearly \$14 million was allocated from the estate tax fund to cover the hold harmless funding for this biennium. However, this short term solution cannot be sustained, since the estate tax is, as you know, being phased out by the federal government, a point to which I now turn.

2. The estate tax has been a boon to Nevada higher education, and NFA is proud to have been a part of the campaign that finally convinced the voters of Nevada to allow retention of the state's share of the federally collected estate tax. We also participated in the legislative effort to have the higher education half of these funds placed in an endowment managed by the regents. Funds from this source have allowed UCCSN institutions to do some innovative things, such as matching money for major federal grants that have come to some of our institutions and addressing gender equity issues in intercollegiate athletics.

However, over time there has been an understandable tendency for state authorities to treat the estate tax endowment as simply another source of revenue when funds were tight, which has regularly been the case. Thus, over the years, more and more functions and programs that should rightly have been funded by the state general fund have been funded from estate tax funds. The total amount of funding being covered by estate tax funds this biennium totals \$75 million, including the \$14 million in "hold harmless" funding mentioned above. The funds must be made up from the state general fund or UCCSN institutions will be greatly harmed, as will the educational opportunities of all Nevadans.

3. Another major issue that the task force should address concerns capital construction for UCCSN institutions. Some UCCSN institutions have been quite successful in obtaining funding from private or federal sources for needed buildings, and revenue bonds have allowed other needed facilities such as dormitories and parking garages to be built. However, it is a fact that the state of Nevada bears the major responsibility for furnishing the buildings needed to house the growing student population and the increased faculty to teach them, not to mention major research needs that will contribute to diversification of the state's economy.

In recent biennia the state has done well by UCCSN, and a number of new facilities have been or are being built. However, without major action in this area, the coming biennium promises to be very problematic. There is simply no ability to service much additional bonding capacity, limiting the state's capital construction to somewhere in the \$20 to \$50 million range, which for the fastest growing state in the nation, promises to be a major problem. The state simply cannot stop building needed facilities for services for its citizens, be those facilities classroom building or new DMV buildings.

As I said, the problem is the ability to service the bonds, using the state's 15 cent share of the property tax. There is a constitutional 2% limitation of amount of bonds that can be sold, and that limit should perhaps

be raised. However, that is not the issue at the present time. The problem is ability to service the bonds with such a limited revenue source.

We would urge that your task force seriously consider at least doubling the state's share of the property tax (to 30 cents), even if this means moving the current cap from \$3.64 closer to the \$5 constitutional limitation. Not to address this issue as a part of restructuring the tax system in Nevada would be a grave oversight, and we urge you to give this matter serious attention.

4. There are many other issues that could be discussed which will require additional funding for UCCSN institutions. However, I would only mention two general areas before closing this letter.

One concerns the need for new programs and even new institutions of higher education in Nevada, to meet the needs of the state's citizens. Nevada is growing and maturing as a state and should not continue to depend on other states to furnish the educated work force it needs. Nevada citizens should not be forced to leave the state to obtain the kinds of education wanted and needed right here in Nevada. But, every new program requires initial start up funding and capital construction funds. In recent years the estate tax has furnished some of those needs in the development of new programs. But, as indicated, that source is drying up, regrettably, which means that the state of Nevada will have to face this demand in future years directly, with general fund and capital construction funding.

Another issue concerns faculty compensation. The state of Nevada has, over the past two decades, helped improve the salary situation of its faculty, which has resulted in our being able to hire and retain better faculty than used to be the case. However, there are still serious problems of faculty compensation, particularly at the community colleges and with the large number of part time faculty, who are paid but a pittance for their labors. The Board of Regents is considering proposals this spring to address the serious issues of salary levels of community college faculty and of part time faculty. Their consideration will probably result in special requests of the Governor and Legislature to address these needs over the next biennium. These needs should also be considered by your task force, as you assess the size of the structural deficit facing the state of Nevada.

A related matter concerns the health care package for all state employees, which is part of the compensation package for state employees. As you may be aware, the state health plan was close to bankruptcy a few years ago, and was bailed out by Governor Guinn and the Legislature to the tune of about \$50 million in additional funding for the 1997-1999 biennium. The state health plan, which has a growing participation from employees and retirees from local government entities, must be kept solvent, and should include a health plan that is adequate to the needs of state employees and to make state employment competitive with the private sector and other public employers.

The current level of funding available to the plan does not seem adequate to many observers. To rectify this problem will require, we think, a major infusion of funds, something that your committee also should consider when trying to assess the size of the structural deficit facing the state.

With that I close this letter, thanking you and the members of your task force for your patience in reading it, and wishing you well in dealing with the most serious issue facing Nevada higher education - lack of adequate funding. In a very real sense, the future of higher education in Nevada rests in the hands of you and the members of the task force. We pledge to work with you in any way possible to find ways to address the problems outlined above.

Sincerely,

Candace C. Kant, Ph.D.
State NFA President

cc: Chancellor Jane Nichols

Vice Chancellor Dan Miles
James T. Richardson, NFA Lobbyist
Mike Sloan
Nancy Wong
Eva Garcia-Mendoza
Russ Fields
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Brian Greenspun
Ken Lange
Richard Perkins
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